



Substitute House Bill No. 7262

Public Act No. 07-225

AN ACT CONCERNING ELECTRONIC INSURANCE FILINGS.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

Section 1. Section 38a-53 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective October 1, 2007*):

(a) Each domestic insurance company or health care center [doing business in this state] shall, annually, on or before the first day of March, [render] submit to the commissioner, and electronically to the National Association of Insurance Commissioners, a true and complete report, signed and sworn to by its president or a vice president, and secretary or an assistant secretary, of its financial condition on the thirty-first day of December next preceding, prepared in accordance with the National Association of Insurance Commissioners annual statement instructions handbook and following those accounting procedures and practices prescribed by the National Association of Insurance Commissioners accounting practices and procedures manual, subject to any deviations in form and detail as may be prescribed by the commissioner. An electronically filed report in accordance with section 38a-53a that is timely submitted to the National Association of Insurance Commissioners does not exempt a domestic insurance company or health care center from timely filing a true and complete paper copy with the commissioner.

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(b) Each foreign insurance company doing business in this state shall, annually, on or before the first day of March, submit to the commissioner, by electronically filing with the National Association of Insurance Commissioners, a true and complete report, signed and sworn to by its president or a vice president, and secretary or an assistant secretary, of its financial condition on the thirty-first day of December next preceding, prepared in accordance with the National Association of Insurance Commissioners annual statement instructions handbook and following those accounting procedures and practices prescribed by the National Association of Insurance Commissioners accounting practices and procedures manual, subject to any deviations in form and detail as may be prescribed by the commissioner. An electronically filed report in accordance with section 38a-53a that is timely submitted to the National Association of Commissioners is deemed to have been submitted to the commissioner in accordance with this section.

~~[(b)]~~ (c) In addition to such annual report, the commissioner, when he deems it necessary, may require any insurance company or health care center doing business in this state to file financial statements on a quarterly basis. An electronically filed true and complete report filed in accordance with section 38a-53a that is timely filed with the National Association of Insurance Commissioners shall be deemed to have been submitted to the commissioner in accordance with the provisions of this section.

~~[(c)]~~ (d) In addition to such annual report and the quarterly report required under subsection ~~[(b)]~~ (c) of this section, the commissioner, whenever the commissioner determines that more frequent reports are required because of certain factors or trends affecting companies writing a particular class or classes of business or because of changes in the company's management or financial or operating condition, may require any insurance company or health care center doing business in

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this state to file financial statements on other than an annual or quarterly basis.

[(d)] (e) Any insurance company or health care center doing business in this state which fails to file any report or statement required under this section shall pay a late filing fee of one hundred dollars per day for each day from the due date of such report or statement to the date of filing.

[(e)] (f) Each insurance company or health care center doing business in this state shall include in all reports required to be filed with the commissioner under this section a certification by an actuary or reserve specialist of all reserve liabilities prepared in accordance with regulations which shall be adopted by the commissioner in accordance with chapter 54. The regulations shall: (1) Specify the contents and scope of the certification; (2) provide for the availability to the commissioner of the workpapers of the actuary or loss reserve specialist; and (3) provide for exemptions to the companies or centers from compliance with the requirements of this subsection. The commissioner shall maintain, as confidential, all workpapers of the actuary or loss reserve specialist and the actuarial report and actuarial opinion summary provided in support of the certification. Such workpapers, reports and summaries shall not be subject to subpoena or disclosure under the Freedom of Information Act, as defined in section 1-200.

Sec. 2. Section 38a-54 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective October 1, 2007*):

(a) [On or after December 31, 1990, each] Each domestic insurance company, health care center or fraternal benefit society doing business in this state shall have an annual audit conducted by an independent certified public accountant and shall annually file an audited financial report with the commissioner, and electronically to the National

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Association of Insurance Commissioners on or before the first day of June for the year ending the preceding December thirty-first. An electronically filed true and complete report timely submitted to the National Association of Insurance Commissioners does not exempt a domestic insurance company or health care center from timely filing a true and complete paper copy to the commissioner.

(b) Each foreign insurance company or fraternal benefit society doing business in this state shall have an annual audit conducted by an independent certified public accountant and shall annually file an audited financial report with the commissioner, and electronically to the National Association of Insurance Commissioners, on or before June first for the year ending the preceding December thirty-first. An electronically filed true and complete report timely submitted to the National Association of Insurance Commissioners shall be deemed to have been submitted to the commissioner in accordance with the provisions of this section.

[(b)] (c) The commissioner shall adopt regulations in accordance with the provisions of chapter 54 to: (1) Specify the scope of the examination required by this section; (2) specify the contents and scope of the annual audited financial report, provided such report shall include all incurred losses; (3) provide for the review of the controls; (4) provide for the availability to the commissioner of the workpapers of the certified public accountant; and (5) provide exemptions from compliance with the requirements of this section.

Sec. 3. Section 38a-614 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective October 1, 2007*):

Reports shall be filed and synopses of annual statements shall be published in accordance with the provisions of this section.

(1) Every domestic society transacting business in this state shall

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annually, on or before the first day of March, unless for cause shown such time has been extended by the commissioner, file with the commissioner, and electronically to the National Association of Insurance Commissioners, a true and complete statement of its financial condition, transactions and affairs for the preceding calendar year and pay a fee of ten dollars for filing the same. The statement shall be in general form and context as approved by the National Association of Insurance Commissioners for fraternal benefit societies and as supplemented by additional information required by the commissioner. An electronically filed true and complete report filed in accordance with section 38a-53a that is timely submitted to the National Association of Insurance Commissioners does not exempt a domestic insurance company or health care center from timely filing a true and complete paper copy with the commissioner.

(2) Every foreign society transacting business in this state shall annually, on or before the first day of March, unless for cause shown such time has been extended by the commissioner, file with the commissioner, and electronically to the National Association of Insurance Commissioners, a true and complete statement of its financial condition, transactions and affairs for the preceding calendar year and pay a fee of ten dollars for filing the same. The statement shall be in general form and context as approved by the National Association of Insurance Commissioners for fraternal benefit societies and as supplemented by additional information required by the commissioner. An electronically filed true and complete report filed in accordance with section 38a-53a that is timely submitted to the National Association of Insurance Commissioners shall be deemed to have been submitted to the commissioner in accordance with this section.

[(2)] (3) A synopsis of its annual statement providing an explanation of the facts concerning the condition of the society thereby disclosed

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shall be printed and mailed to each benefit member of the society not later than the first day of June of each year, or, in lieu thereof, such synopsis may be published in the society's official publication.

[(3)] (4) As part of the annual statement herein required, each society shall, on or before the first day of March, file with the commissioner a valuation of its certificates in force on December thirty-first last preceding, provided the commissioner may, in his discretion for cause shown, extend the time for filing such valuation for not more than two calendar months. Such report of valuation shall show, as reserve liabilities, the difference between the present midyear value of the promised benefits provided in the certificates of such society in force and the present midyear value of the future net premiums as the same are in practice actually collected, not including therein any value for the right to make extra assessments and not including any amount by which the present midyear value of future net premiums exceeds the present midyear value of promised benefits on individual certificates. At the option of any society, in lieu of the above, the valuation may show the net tabular value. Such net tabular value as to certificates issued prior to January 1, 1959, shall be determined in accordance with the provisions of law applicable prior to January 1, 1958, and as to certificates issued on or after January 1, 1959, shall not be less than the reserves determined according to the Commissioners' Reserve Valuation method as hereinafter defined. If the premium charge is less than the tabular net premium according to the basis of valuation used, an additional reserve equal to the present value of the deficiency in such premiums shall be set up and maintained as a liability. The reserve liabilities shall be properly adjusted if the midyear or tabular values are not appropriate.

[(4)] (5) Reserves according to the Commissioners' Reserve Valuation method, for the life insurance and endowment benefits of certificates providing for a uniform amount of insurance and requiring

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the payment of uniform premiums, shall be the excess, if any, of the present value, at the date of valuation, of such future guaranteed benefits provided for by such certificates over the then present value of any future modified net premiums therefor. The modified net premiums for any such certificate shall be such uniform percentage of the respective contract premiums for such benefits that the present value, at the date of issue of the certificate, of all such modified net premiums shall be equal to the sum of the then present value of such benefits provided for by the certificate and the excess of [(a)] (A) over [(b)] (B), as follows: [(a)] (A) A net level premium equal to the present value, at the date of issue, of such benefits provided for after the first certificate year, divided by the present value, at the date of issue, of an annuity of one per annum payable on the first and each subsequent anniversary of such certificate on which a premium falls due; provided such net level annual premium shall not exceed the net level annual premium on the nineteen year premium whole life plan for insurance of the same amount at an age one year higher than the age at issue of such certificate; and [(b)] (B) a net one-year term premium for such benefits provided for in the first certificate year. Reserves according to the Commissioners' Reserve Valuation method for [(1)] (i) life insurance benefits for varying amounts of benefits or requiring the payment of varying premiums, [(2)] (ii) annuity and pure endowment benefits, [(3)] (iii) disability and accidental death benefits in all certificates and contracts, and [(4)] (iv) all other benefits except life insurance and endowment benefits shall be calculated by a method consistent with the principles of this [subsection] subdivision.

[(5)] (6) The present value of deferred payments due under incurred claims or matured certificates shall be deemed a liability of the society and shall be computed upon mortality and interest standards prescribed in [subsection (6)] subdivision (7) of this section.

[(6)] (7) Such valuation and underlying data shall be certified by a

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competent actuary or, at the expense of the society, verified by the actuary of the department of insurance of the state of domicile of the society. The minimum standards of valuation for certificates issued prior to January 1, 1959, shall be those provided by the law applicable immediately prior to January 1, 1958, but not lower than the standards used in the calculating of rates for such certificates. The minimum standard of valuation for certificates issued after January 1, 1959, shall be three and one-half per cent interest and the following tables: [(a)] (A) For certificates of life insurance, American Men Ultimate Table of Mortality, with Bowerman's or Davis' Extension thereof or, with the consent of the Insurance Commissioner, the Commissioner's 1941 Standard Ordinary Mortality Table or the Commissioner's 1941 Standard Industrial Table of Mortality, or the Commissioners' 1958 Standard Ordinary Mortality Table, except that, with the approval of the commissioner, the valuation of contracts on female risks may be calculated, at the option of the society, according to an age not more than three years younger than the actual age of the insured; [(b)] (B) for annuity certificates, including life annuities provided or available under optional modes of settlement in such certificates, the 1937 Standard Annuity Table; [(c)] (C) for disability benefits issued in connection with life benefit certificates, Hunter's Disability Table, which, for active lives, shall be combined with a mortality table permitted for calculating the reserves on life insurance certificates, except that the table known as Class III Disability Table (1926), modified to conform to the contractual waiting period, shall be used in computing reserves for disability benefits under a contract which presumes that total disability shall be considered to be permanent after a specified period; [(d)] (D) for accidental death benefits issued in connection with life benefit certificates, the Inter-Company Double Indemnity Mortality Table combined with a mortality table permitted for calculating the reserves for life insurance certificates; and [(e)] (E) for noncancellable accident and health benefits, the Class III Disability Table (1926) with conference modifications or, with the consent of the

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commissioner, tables based upon the society's own experience. The commissioner may, in [his] the commissioner's discretion, accept other standards for valuation if [he] the commissioner finds that the reserves produced thereby will not be less in the aggregate than reserves computed in accordance with the minimum valuation standard herein prescribed. The commissioner may, in his or her discretion, vary the standards of mortality applicable to all certificates of insurance on substandard lives or other extra hazardous lives by any society authorized to do business in this state. Whenever the mortality experience under all certificates valued on the same mortality table is in excess of the expected mortality according to such table for a period of three consecutive years, the commissioner may require additional reserves when deemed necessary in his or her judgment on account of such certificates. Any society, with the consent of the insurance commissioner of the state of domicile of the society and under such conditions, if any, which [he] the commissioner may impose, may establish and maintain reserves on its certificates in excess of the reserves required thereunder, but the contractual rights of any insured member shall not be affected thereby.

[(7)] (8) A society neglecting to file the annual statement in the form and within the time provided by this section shall forfeit one hundred dollars for each day during which such neglect continues, and, upon notice by the commissioner to that effect, its authority to do business in this state shall cease while such default continues.

[(8)] (9) Notwithstanding the provisions of this section, a society may, with the approval of the Insurance Commissioner, use the standards for valuation and nonforfeiture authorized by the provisions of sections 38a-61, 38a-77, 38a-78, 38a-81, 38a-82, 38a-284, 38a-287, 38a-430 to 38a-454, inclusive, and 38a-458.

Approved July 11, 2007